

WAPELLO COUNTY, IOWA  
INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS  
AND QUESTIONED COSTS

JUNE 30, 2011

WAPELLO COUNTY, IOWA

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JUNE 30, 2011

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WAPELLO COUNTY, IOWA

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Jerry Parker	Board of Supervisors	January 2015
Greg Kenning	Board of Supervisors	January 2015
Steve Siegel	Board of Supervisors	January 2013
Kelly Spurgeon	County Auditor	January 2013
Dianne L. Kiefer	County Treasurer	January 2015
Joyce Hass	County Recorder	January 2015
Donald Kirkendall	County Sheriff	January 2013
Lisa Holl	County Attorney	January 2015
Gary Smith	County Assessor	January 2016

## INDEPENDENT AUDITOR'S REPORT

To the Officials of Wapello County, Iowa:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Wapello County, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of Wapello County, Iowa's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, Issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Wapello County, Iowa at June 30, 2011, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated February 14, 2012 on our consideration of Wapello County, Iowa's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information, and the Schedule of Funding Progress for the Retiree Health Plan on pages 3 through 7 and 35 through 38 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Wapello County, Iowa's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the nine years ended June 30, 2010 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 8, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

ANDERSON, LARKIN & CO. P.C.

Ottumwa, Iowa  
February 14, 2012

# MANAGEMENT'S DISCUSSION AND ANALYSIS

Wapello County, Iowa provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

## **2011 FINANCIAL HIGHLIGHTS**

- ♦ County revenue increased 5.35%, or \$1,032,410 from fiscal year 2010 to 2011.
- ♦ County program expenses were 9.00%, or \$1,677,776 more in fiscal year 2011 than in 2010.
- ♦ The County's net assets decreased .24%, or \$84,100, during the year ended June 30, 2011.

## **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the County's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Wapello County, Iowa as a whole and present an overall view of the County's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Wapello County, Iowa's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Wapello County, Iowa acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year and details of the County's funding progress of the retiree health plan.

Other Supplementary Information provides detailed information about the nonmajor governmental funds and the individual Agency Funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the County.

## **REPORTING THE COUNTY'S FINANCIAL ACTIVITIES**

### **Government-wide Financial Statements**

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information which helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

The Statement of Net Assets presents all of the County's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in the County's net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The Statement of Activities presents information showing how the County's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

The County's governmental activities are presented in the Statement of Net Assets and the Statement of Activities. Governmental activities include public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, interest on long-term debt and non-program activities. Property tax and state and federal grants finance most of these activities.

### Fund Financial Statements

The County has three kinds of funds:

1. Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds, and the balances left at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds such as Mental Health, Rural Services, and Secondary Roads, 3) the Debt Service Fund, and 4) the Capital Projects Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

2. Proprietary funds are used to account for the County's Internal Service Fund. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the County's various functions.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

3. Fiduciary funds are used to report assets held in a trust or agency capacity for others which cannot be used to support the County's own programs. These fiduciary funds include Agency Funds that account for drainage districts, emergency management services and the County Assessor, to name a few.

The required financial statement for fiduciary funds is a statement of fiduciary assets and liabilities.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. The analysis that follows focuses on the changes in net assets for governmental activities.

# Net Assets of Governmental Activities

	<u>2011</u>	<u>2010</u>
Current and other assets	\$ 23,166,800	\$ 22,249,410
Capital assets	<u>27,486,132</u>	<u>27,867,021</u>
Total assets	<u>50,652,932</u>	<u>50,116,431</u>
Long-term debt outstanding	3,514,914	3,277,266
Other liabilities	<u>12,012,911</u>	<u>11,629,958</u>
Total liabilities	<u>15,527,825</u>	<u>14,907,224</u>
Net assets:		
Invested in capital assets, net of related debt	24,994,654	25,518,277
Restricted	8,204,443	7,934,356
Unrestricted	<u>1,926,010</u>	<u>1,756,574</u>
Total net assets	\$ <u>35,125,107</u>	\$ <u>35,209,207</u>

Net assets of the County's governmental activities decreased by .24% (\$35,125,107 compared to \$35,209,207). The largest portion of the County's net assets is the investment in capital assets (e.g., land, infrastructure, buildings, and equipment), net of related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – increased from \$1,756,574 at June 30, 2010 to \$1,926,010 at June 30, 2011, an increase of 9.65%.

## Changes in Net Assets of Governmental Activities

	<u>2011</u>	<u>2010</u>
Revenues:		
Program revenues:		
Charges for service	\$ 1,345,600	\$ 1,323,726
Operating grants, contributions and restricted interest	11,320,969	9,917,792
Capital grants, contributions and restricted interest	133,996	545,863
General revenues:		
Property and other County tax	6,831,727	6,744,566
Unrestricted investment earnings	12,538	5,182
Other general revenues	<u>672,622</u>	<u>747,913</u>
Total revenues	<u>20,317,452</u>	<u>19,285,042</u>
Expenses:		
Public safety and legal services	3,802,629	3,589,593
Physical health and social services	1,655,859	1,513,952
Mental health	4,288,920	3,676,449
County environment and education	1,044,666	1,152,036
Roads and transportation	5,985,640	5,198,838
Governmental services to residents	582,507	649,522
Administration	2,846,461	2,731,948
Non-program	115,433	122,793
Interest on long-term debt	79,437	84,907
Capital projects	-	3,738
Total expenses	<u>20,401,552</u>	<u>18,723,776</u>
Changes in net assets	(84,100)	561,266
Net assets – Beginning of year	<u>35,209,207</u>	<u>34,647,941</u>
Net assets – End of year	\$ <u>35,125,107</u>	\$ <u>35,209,207</u>

The results of governmental activities for the year resulted in Wapello County, Iowa's net assets decreasing by \$84,100. Revenues for governmental activities increased by \$1,032,410 from the prior year, including increases in operating grants, contributions and restricted interest. Expenditures increased by \$1,677,776 including increases in mental health and roads and transportation expenses.

The cost of all governmental activities this year was \$20,401,522 compared to \$18,723,776 last year. However, as shown in the Statement of Activities, the amount that our taxpayers ultimately financed for these activities through County taxes was only \$7,600,987 because some of the cost was paid by those directly benefited from the programs (\$1,345,600) or by other governments and organizations that subsidized certain programs with grants and contributions (\$11,454,965).

### **INDIVIDUAL MAJOR FUND ANALYSIS**

As the County completed the year, its governmental funds reported a combined fund balance of \$10,293,501, which is an increase of \$289,528 from last year's total of \$10,003,973.

- General Fund revenues decreased by and expenditures increased by 4.18% and 2.37%, respectively, when compared to the prior year. The ending fund balance showed a decrease from the prior year of \$173,252 from \$3,455,438 to \$3,282,186.
- The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled \$4,323,831, an increase of 18.55% from the prior year. The Mental Health Fund balance at year end increased by \$869,918 from the prior year due to increased revenues.
- Secondary Roads Fund revenues increased \$434,579 from the prior year. As a result, there was an increase in the Secondary Roads Fund ending balance of \$154,643, or 25.10%.
- LEC maintenance expenditures increased \$67,019 from the previous year and its ending fund balance decreased from the prior year by \$264,950 to \$2,688,848.
- During the year ended June 30, 2011, expenditures in the capital projects fund increased \$464,402 from the prior year. At the end of the year, the ending fund balance in the Capital Projects Fund had decreased to \$408,129.

### **BUDGETARY HIGHLIGHTS**

Over the course of the year, Wapello County, Iowa amended its budget three times. The first amendment was made on December 21, 2010, the second amendment was made on January 11, 2011, and the final amendment was made on May 10, 2011. These amendments resulted in increases in budgeted disbursements in certain County departments.

### **CAPTIAL ASSETS AND DEBT ADMINISTRATION**

#### **Capital Assets**

At June 30, 2011, Wapello County, Iowa had \$27,486,132 invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, and roads and bridges. This amount represents a net decrease (including additions, deletions and depreciation) of \$380,889 or 1.37% less than the prior year. The majority of this decrease was due to less infrastructure additions compared to depreciation expense in the current year.

#### **Capital Assets of Governmental Activities at Year End**

	<u>2011</u>	<u>2010</u>
Land	\$ 1,322,742	\$ 1,300,742
Buildings (net)	11,188,882	11,682,222
Machinery and equipment (net)	1,750,007	1,553,647
Infrastructure (net)	<u>13,224,501</u>	<u>13,330,410</u>
Totals	\$ <u>27,486,132</u>	\$ <u>27,867,021</u>
The year's major additions included:		
Buildings	\$ 22,000	\$ -
Machinery and equipment	602,659	136,004
Infrastructure	<u>862,795</u>	<u>1,290,364</u>
	\$ <u>1,487,454</u>	\$ <u>1,426,368</u>

The County had depreciation expense of \$1,868,343 and \$1,782,173 for the years ended June 30, 2011 and 2010, respectively, and total accumulated depreciation as of June 30, 2011 and 2010 of \$29,344,480 and \$27,633,074, respectively.

### Long-term Debt

At June 30, 2011, the County had \$3,514,914 in general obligation notes and other debt compared to \$3,277,266 at June 30, 2010, as shown below.

#### Outstanding Debt of Governmental Activities at Year-End

	<u>2011</u>	<u>2010</u>
Installment purchases	\$ 40,136	\$ 63,744
General obligation capital loan notes	2,065,000	2,285,000
Capital leases	386,342	-
Compensated absences	720,540	713,251
Net OPEB liability	<u>302,896</u>	<u>215,271</u>
Totals	\$ <u>3,514,914</u>	\$ <u>3,277,266</u>

The Constitution of the State of Iowa limits the amount of general obligation debt that counties can issue to 5% of the assessed value of all taxable property within the County's corporate limits. The County's outstanding general obligation debt is significantly below its constitution debt limit of \$49,194,072. Other obligations include accrued vacation pay and sick leave, installment purchases, capital leases and net OPEB liability. Additional information about the County's long-term debt is presented in Note 6 to the financial statements.

### ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Wapello County, Iowa's elected and appointed officials and citizens considered many factors when setting the 2012 fiscal year budget, tax rates, and the fees charged for the various County activities. One of those factors is the economy. Unemployment in the County (as of October 2011) now stands at 7.1% versus 7.6% a year ago. This compares with the State's unemployment rate of 6.0% and the national rate of 8.5%.

Inflation in the State is slightly higher than the national Consumer Price Index increase. The State's CPI increase was 5.25% for the twelve month period ended June 2011 compared with the national increase of 3.52%.

These indicators were taken into account when adopting the budget for fiscal year 2012. Amounts available for appropriation in the operating budget are increasing by \$1,757,008 compared to the final fiscal year 2011 budget. Intergovernmental revenues are expected to make up the majority of this increase. Budgeted disbursements are expected to increase by \$999,014 compared to the final fiscal year 2011 budget. Increases in capital projects expenditures represent the majority of the increase. The County has added no major new programs or initiatives to the fiscal year 2012 budget.

If these estimates are realized, the County's budgetary operating balance is expected to decrease \$2,105,327 by the close of fiscal year 2012.

### CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of Wapello County, Iowa's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Wapello County Auditor's Office, 101 West Fourth Street, Ottumwa, Iowa.

WAPELLO COUNTY, IOWASTATEMENT OF NET ASSETS  
JUNE 30, 2011Governmental  
ActivitiesASSETS:

Cash and pooled investments	\$ 12,368,787
Receivables:	
Property tax:	
Delinquent	19,567
Succeeding year	9,655,193
Accounts	259,121
Interest	5,951
Due from other governments	595,522
Inventories	262,659
Capital assets (net of accumulated depreciation)	<u>27,486,132</u>
Total assets	<u>50,652,932</u>

LIABILITIES:

Accounts payable	839,890
Salaries and benefits payable	265,616
Due to other governments	1,252,212
Deferred revenue:	
Succeeding year property tax	9,655,193
Long-term liabilities:	
Portion due or payable within one year:	
General obligation bonds	230,000
Compensated absences	720,540
Installment purchases	23,807
Capital leases	99,456
Portion due or payable after one year:	
General obligation bonds	1,835,000
Installment purchases	16,329
Capital leases	286,886
Net OPEB liability	<u>302,896</u>
Total liabilities	<u>15,527,825</u>

NET ASSETS:

Invested in capital assets, net of related debt	24,994,654
Restricted for:	
Mental health	2,296,586
Secondary roads	770,800
LEC maintenance	2,686,848
Supplemental levy	1,193,128
Capital projects	408,129
Other purposes	848,952
Unrestricted	<u>1,926,010</u>
Total net assets	\$ <u>35,125,107</u>

## WAPELLO COUNTY, IOWA

STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2011

			Program Revenues		Net (Expense) Revenue and Changes in Net Assets
			Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
	Expenses	Charges for Service			
<b>FUNCTIONS/PROGRAMS:</b>					
Governmental activities:					
Public safety and legal services	\$ 3,802,629	\$ 309,838	\$ 188,667	\$ -	\$ (3,304,124)
Physical health and social services	1,655,859	98,817	407,675	-	(1,149,367)
Mental health	4,288,920	429,718	4,764,031	-	904,829
County environment and education	1,044,666	28,543	32,694	-	(983,429)
Roads and transportation	5,985,640	3,820	5,570,266	133,996	(277,558)
Governmental services to residents	582,507	168,926	341,712	-	(71,869)
Administration	2,846,461	305,938	15,924	-	(2,524,599)
Non-program	115,433	-	-	-	(115,433)
Interest on longterm debt	79,437	-	-	-	(79,437)
Total	\$ 20,401,552	\$ 1,345,600	\$ 11,320,969	\$ 133,996	(7,600,987)
<b>GENERAL REVENUES:</b>					
Property and other County tax levied for:					
General purposes					6,015,284
Debt service					298,687
Local option tax					349,480
Penalty and interest on property tax					168,276
State tax credits					280,572
Unrestricted investment earnings					12,538
Gain on disposal of capital assets					191
Miscellaneous					391,859
Total general revenues					7,516,887
CHANGE IN NET ASSETS					(84,100)
NET ASSETS - Beginning of year					35,209,207
NET ASSETS - End of year					\$ 35,125,107

WAPELLO COUNTY, IOWA

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2011

<u>ASSETS</u>	<u>General</u>	<u>MH-DD</u>	<u>Special Revenue</u>	
			<u>Secondary Roads</u>	<u>LEC Maintenance</u>
Cash and pooled investments	\$ 3,517,570	\$ 3,531,759	\$ 684,916	\$ 2,696,967
Receivables:				
Property tax:				
Delinquent	12,439	4,639	-	-
Succeeding year	6,137,897	2,289,147	-	-
Accounts	64,887	-	5,942	8
Due from other governments	188,459	633	182,374	-
Inventories	-	-	262,659	-
TOTAL ASSETS	\$ <u>9,921,252</u>	\$ <u>5,826,178</u>	\$ <u>1,135,891</u>	\$ <u>2,696,975</u>
 <u>LIABILITIES AND FUND BALANCES</u>				
<u>LIABILITIES:</u>				
Accounts payable	\$ 170,284	\$ 134,944	\$ 288,597	\$ 10,127
Salaries and benefits payable	184,169	4,826	61,174	-
Due to other governments	138,735	1,096,865	15,320	-
Deferred revenue:				
Succeeding year property tax	6,137,897	2,289,147	-	-
Other	7,981	3,810	-	-
Total liabilities	<u>6,639,066</u>	<u>3,529,592</u>	<u>365,091</u>	<u>10,127</u>
 <u>FUND BALANCES:</u>				
Nonspendable:				
Inventories	-	-	262,659	-
Restricted for:				
Debt Service	-	-	-	-
Supplemental levy purposes	1,193,128	-	-	-
Mental Health	-	2,296,586	-	-
Secondary Roads	-	-	508,141	-
LEC Maintenance	-	-	-	2,686,848
Capital Projects	-	-	-	-
Other Purposes	-	-	-	-
Unassigned	2,089,058	-	-	-
Total fund balances	<u>3,282,186</u>	<u>2,296,586</u>	<u>770,800</u>	<u>2,686,848</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ <u>9,921,252</u>	\$ <u>5,826,178</u>	\$ <u>1,135,891</u>	\$ <u>2,696,975</u>

See Notes to Financial Statements

<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
\$ 343,437	\$ 772,129	\$ 11,546,778
-	2,489	19,567
-	1,228,149	9,655,193
-	2,196	73,033
117,730	106,326	595,522
<u>-</u>	<u>-</u>	<u>262,659</u>
\$ <u>461,167</u>	\$ <u>2,111,289</u>	\$ <u>22,152,752</u>
\$ 53,038	\$ 15,112	\$ 672,102
-	15,447	265,616
-	1,292	1,252,212
-	1,228,149	9,655,193
-	2,337	14,128
<u>53,038</u>	<u>1,262,337</u>	<u>11,859,251</u>
-	-	262,659
-	37,029	37,029
-	-	1,193,128
-	-	2,296,586
-	-	508,141
-	-	2,686,848
408,129	-	408,129
-	811,923	811,923
-	-	2,089,058
<u>408,129</u>	<u>848,952</u>	<u>10,293,501</u>
\$ <u>461,167</u>	\$ <u>2,111,289</u>	\$ <u>22,152,752</u>

WAPELLO COUNTY, IOWA

RECONCILIATION OF THE BALANCE SHEET -  
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2011

TOTAL GOVERNMENTAL FUND BALANCES	\$ 10,293,501
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AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE  
STATEMENT OF NET ASSETS ARE DIFFERENT BECAUSE:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of assets is \$56,830,612 and the accumulated depreciation is \$29,344,480.	27,486,132
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The Internal Service Fund is used by management to charge the costs of partial self funding of the County's health insurance benefit plan to the individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.	840,309
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Because some revenues will not be collected for several months after year end they are deferred or not recorded in the governmental funds, as follows:

Property tax	14,128
Interest	5,951

Long-term liabilities, including installment purchases, general obligation capital loan notes, capital leases, compensated absences and net OPEB liability, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(3,514,914)</u>
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NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$ <u>35,125,107</u>
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WAPELLO COUNTY, IOWA

STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2011

		<u>Special Revenue</u>	
	<u>General</u>	<u>MH-DD</u>	<u>Secondary Roads</u>
<u>REVENUES:</u>			
Property and other County tax	\$ 6,017,248	\$ 2,340,151	\$ -
Interest and penalty on property tax	168,276	-	-
Intergovernmental	1,184,299	2,839,957	3,064,513
Licenses and permits	150	-	3,820
Charges for service	812,058	9,856	4,218
Use of money and property	156,280	-	-
Miscellaneous	224,855	3,785	107,861
Total revenues	<u>8,563,166</u>	<u>5,193,749</u>	<u>3,180,412</u>
<u>EXPENDITURES:</u>			
Current:			
Public safety and legal services	3,083,694	-	-
Physical health and social services	1,647,211	-	-
Mental health	-	4,323,831	-
County environment and education	532,568	-	-
Roads and transportation	-	-	4,116,566
Governmental services to residents	546,062	-	-
Administration	2,654,894	-	-
Non-program	122,180	-	-
Debt service	-	-	-
Capital projects	-	-	254,470
Total expenditures	<u>8,586,609</u>	<u>4,323,831</u>	<u>4,371,036</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(23,443)</u>	<u>869,918</u>	<u>(1,190,624)</u>
Other financial sources (uses):			
Sale of capital assets	191	-	-
Proceeds from Capital Leases	-	-	491,747
Transfers in	-	-	1,000,000
Transfers out	<u>(150,000)</u>	<u>-</u>	<u>(146,480)</u>
Total other financing sources (uses)	<u>(149,809)</u>	<u>-</u>	<u>1,345,267</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>(173,252)</u>	<u>869,918</u>	<u>154,643</u>
<u>FUND BALANCES</u> - Beginning of year	<u>3,455,438</u>	<u>1,426,668</u>	<u>616,157</u>
<u>FUND BALANCES</u> - End of year	\$ <u>3,282,186</u>	\$ <u>2,296,586</u>	\$ <u>770,800</u>

See Notes to Financial Statements

<u>Special Revenue</u>		<u>Nonmajor</u>	
<u>LEC</u>	<u>Capital</u>	<u>Governmental</u>	
<u>Maintenance</u>	<u>Projects</u>	<u>Funds</u>	<u>Total</u>
\$ -	\$ 887,063	\$ 2,024,391	\$ 11,268,853
-	-	-	168,276
31,080	-	302,859	7,422,708
-	-	33,688	37,658
-	-	21,538	847,670
38,955	-	23,252	218,487
11,827	-	7,989	356,317
<u>81,862</u>	<u>887,063</u>	<u>2,413,717</u>	<u>20,319,969</u>
346,812	-	113,085	3,543,591
-	-	-	1,647,211
-	-	-	4,323,831
-	-	449,426	981,994
-	-	254,858	4,371,424
-	-	13,935	559,997
-	-	15,438	2,670,332
-	-	-	122,180
-	-	299,438	299,438
-	1,275,019	472,892	2,002,381
<u>346,812</u>	<u>1,275,019</u>	<u>1,619,072</u>	<u>20,522,379</u>
<u>(264,950)</u>	<u>(387,956)</u>	<u>794,645</u>	<u>(202,410)</u>
-	-	-	191
-	-	-	491,747
-	146,480	-	1,146,480
-	-	(850,000)	(1,146,480)
<u>-</u>	<u>146,480</u>	<u>(850,000)</u>	<u>491,938</u>
(264,950)	(241,476)	(55,355)	289,528
<u>2,951,798</u>	<u>649,605</u>	<u>904,307</u>	<u>10,003,973</u>
\$ <u>2,686,848</u>	\$ <u>408,129</u>	\$ <u>848,952</u>	\$ <u>10,293,501</u>

WAPELLO COUNTY, IOWA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2011

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 289,528

AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE  
STATEMENT OF ACTIVITIES ARE DIFFERENT BECAUSE:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Depreciation expense exceeded capital expenditures in the current year as follows:

Expenditures for capital assets	\$ 1,487,454	
Depreciation expense	<u>(1,868,343)</u>	(380,889)

Because some revenues will not be collected for several months after the County's year end, they are not considered available revenues and are deferred or not recorded in the governmental funds, as follows:

Property tax	(1,964)	
Interest	<u>(744)</u>	(2,708)

Proceeds from issuing long term liabilities provide current financial resources to the governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year debt proceeds and repayments are as follows:

Proceeds	(491,747)	
Repaid	<u>349,013</u>	(142,734)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds, as follows:

Compensated absences	(7,289)	
Net OPEB liability	<u>(87,625)</u>	(94,914)

The Internal Service Fund is used by management to charge the costs of employee health benefits to the individual funds. The change in net assets of the Internal Service Fund is reported with governmental activities.

247,617

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ (84,100)

WAPELLO COUNTY, IOWASTATEMENT OF NET ASSETS  
PROPRIETARY FUND  
JUNE 30, 2011Internal Service -  
Wapello County  
Employee HealthASSETS:

## Current assets:

Cash and cash equivalents

\$ 822,009

Receivables:

Accounts

186,088

TOTAL ASSETS

1,008,097LIABILITIES:

## Current liabilities:

Accounts payable

167,788NET ASSETS:

Unrestricted

\$ 840,309

WAPELLO COUNTY, IOWA

STATEMENT OF REVENUES, EXPENSES AND CHANGES  
IN FUND NET ASSETS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2011

Internal Service -  
Wapello County  
Employee Health

OPERATING REVENUES:

Reimbursements from operating funds	\$ 2,499,745
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OPERATING EXPENSES:

Medical claims	<u>2,252,661</u>
Operating income	247,084

NON-OPERATING REVENUES:

Interest on investments	<u>533</u>
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NET INCOME	247,617
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NET ASSETS - Beginning of year

<u>592,692</u>
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NET ASSETS - End of year

\$ <u>840,309</u>
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WAPELLO COUNTY, IOWA

STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2011

Internal Service -  
Wapello County  
Employee Health

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from operating fund reimbursements	\$ 2,318,249
Cash payments to suppliers for services	<u>(2,240,827)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	77,422

CASH FLOWS FROM INVESTING ACTIVITIES:

Interest on investments	<u>533</u>
-------------------------	------------

NET INCREASE IN CASH AND CASH EQUIVALENTS 77,955

CASH AND CASH EQUIVALENTS - Beginning of year 744,054

CASH AND CASH EQUIVALENTS - End of year \$ 822,009

RECONCILIATION OF OPERATING INCOME TO NET  
CASH PROVIDED BY OPERATING ACTIVITIES:

Operating income	\$ 247,084
Adjustments to reconcile operating income to net cash provided by operating activities:	
Increase in accounts receivable	(186,034)
Decrease in due from other governments	4,538
Increase in accounts payable	<u>11,834</u>
Net cash provided by operating activities	\$ <u>77,422</u>

WAPELLO COUNTY, IOWASTATEMENT OF FIDUCIARY ASSETS AND LIABILITIESAGENCY FUNDSJUNE 30, 2011ASSETS

## Cash and pooled investments:

County Treasurer

\$ 1,921,669

Other County officials

87,874

Accounts receivable

25,716

Property tax receivable:

Delinquent

60,518

Succeeding year

29,861,774

Total assets

31,957,551LIABILITIES

Accounts payable

14,837

Due to other governments

31,889,798

Salaries and benefits payable

6,461

Compensated absences

16,987

Trusts payable

29,468

Total liabilities

31,957,551NET ASSETS \$ -

## WAPELLO COUNTY, IOWA

### NOTES TO FINANCIAL STATEMENTS

#### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Wapello County, Iowa is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff, Assessor and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance and general administrative services.

The County's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

#### A. Reporting Entity

For financial reporting purposes, Wapello County, Iowa has included all funds, organizations, agencies, boards, commissions and authorities. The County has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of the organization's governing body and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the County.

These financial statements present Wapello County, Iowa (the primary government) and its component units. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

Blended Component Units – The following component units are entities which are legally separate from the County, but are so intertwined with the County that they are, in substance, the same as the County. They are reported as part of the County and blended into the appropriate funds.

The drainage districts have been established pursuant to Chapter 468 of the Code of Iowa for the drainage of surface waters from agricultural and other lands or the protection of such lands from overflow. Although these districts are legally separate from the County, they are controlled, managed and supervised by the Wapello County Board of Supervisors. The drainage districts are reported as a Special Revenue Fund. Financial information of the individual drainage districts can be obtained from the Wapello County Auditor's office.

Jointly Governed Organizations – The County also participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: County Assessor's Conference Board, County Emergency Management Commission and County Joint E911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

WAPELLO COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the County and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues and other nonexchange transactions.

The Statement of Net Assets presents the County's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories.

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The County reports the following major governmental funds:

The General Fund is the general operating fund of the County. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue

The MH-DD Fund is used to account for property tax and other revenues designated to be used to fund mental health, mental retardation, and developmental disabilities services.

The Secondary Roads Fund is used to account for secondary road construction and maintenance.

The LEC Maintenance Fund is used to account for local option tax funds received for maintenance of the Law Enforcement Center.

WAPELLO COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation (Continued)

Capital Projects

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

Additionally, the County reports the following funds:

Proprietary Fund

An Internal Service Fund is utilized to account for the financing of goods or services purchased by one department of the County and provided to other departments or agencies on a cost reimbursement basis.

Fiduciary Funds

Agency funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary fund and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the County.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the County's policy to first apply cost-reimbursements grant resources to such programs, followed by categorical block grants, and then by general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the County's policy is to pay the expenditure from restricted fund balance and then from less-restrictive classifications – committed, assigned and then unassigned fund balances.

WAPELLO COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

The proprietary fund of the County applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's Internal Service Fund are charges to customers for sales and services. Operating expenses for Internal Service Funds include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The County maintains its financial records on the cash basis. The financial statements of the County are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund, unless otherwise provided by law. Investments are stated at fair value except for the investment in the Iowa Public Agency Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1.5% per month penalty for delinquent payments; is based on January 1, 2009 assessed property valuations; is for the tax payable period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March, 2010.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

WAPELLO COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Fund Equity (Continued)

Inventories – Inventories are valued at cost using the first-in, first-out method. Inventories consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Capital Assets – Capital assets, which include property, equipment and vehicles, intangibles and infrastructure assets acquired after July 1, 1980 (e.g., roads, bridges, curbs, gutters, sidewalks, and similar items which are immovable and of value only to the County), are reported in the governmental activities column in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of three years.

<u>Asset Class</u>	<u>Amount</u>
Infrastructure	\$ 50,000
Land, buildings and improvements	25,000
Intangibles	5,000
Equipment and vehicles	5,000

Capital assets of the County are depreciated/amortized using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful lives (In Years)</u>
Infrastructure	15-50
Buildings	25-50
Building improvements	25-50
Intangibles	5-20
Equipment	5-20
Vehicles	5-15

Due to Other Governments – Due to other governments represents taxes and other revenues collected by the County and payments for services which will be remitted to other governments.

Trusts Payable – Trusts payable represents amounts due to others which are held by various County officials in fiduciary capacities until the underlying legal matters are resolved.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue consists of property tax receivable not collected within 60 days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

WAPELLO COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Fund Equity (Continued)

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2011. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, MH-DD, Rural Services and Secondary Roads Funds.

Long-term Liabilities – In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund Statement of Net Assets. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts which can be used only for specific purposes pursuant to constraints formally imposed by the Board of Supervisors through ordinance or resolution approved prior to year end. Committed amounts cannot be used for any other purpose unless the Board of Supervisors removes or changes the specified use by taking the same action it employed to commit those amounts.

Assigned – Amounts the Board of Supervisors intend to use for specific purposes.

Unassigned – All amounts not included in other classifications.

Net Assets – The net assets of the Internal Service, Wapello County Employee Health Fund are designated for anticipated future catastrophic losses of the County.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

F. Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Accordingly, actual results could differ from those estimates.

WAPELLO COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 2: CASH AND POOLED INVESTMENTS

The County's deposits in banks at June 30, 2011 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Investments are stated at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

The County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$2,428,120 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Interest rate risk – The County's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the County.

NOTE 3: INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

<u>Transfer to</u>	<u>Amount</u>	<u>Transfer from</u>	<u>Amount</u>
Secondary Roads	\$ <u>1,000,000</u>	General Fund	\$ 150,000
		Rural Services	<u>850,000</u>
			<u>1,000,000</u>
Capital Projects	<u>146,480</u>	Secondary Roads	<u>146,480</u>
	\$ <u>1,146,480</u>		\$ <u>1,146,480</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

WAPELLO COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 4: CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2011 was as follows:

	<u>Balance Beginning of Year, as Restated</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Governmental activities:				
Capital assets not being depreciated/amortized:				
Land	\$ <u>1,300,742</u>	\$ <u>22,000</u>	\$ <u>-</u>	\$ <u>1,322,742</u>
Total capital assets not being depreciated/amortized	<u>1,300,742</u>	<u>22,000</u>	<u>-</u>	<u>1,322,742</u>
Capital assets being depreciated/ amortized:				
Buildings	30,939,038	-	-	30,939,038
Machinery and equipment	6,513,817	602,659	156,937	6,959,539
Infrastructure	<u>16,746,498</u>	<u>862,795</u>	<u>-</u>	<u>17,609,293</u>
Total capital assets being depreciated/amortized	<u>54,199,353</u>	<u>1,465,454</u>	<u>156,937</u>	<u>55,507,870</u>
Less accumulated depreciation/ amortization for:				
Buildings	19,256,816	493,340	-	19,750,156
Machinery and equipment	4,960,170	406,299	156,937	5,209,532
Infrastructure	<u>3,416,088</u>	<u>968,704</u>	<u>-</u>	<u>4,384,792</u>
Total accumulated depreciation/ amortization	<u>27,633,074</u>	<u>1,868,343</u>	<u>156,937</u>	<u>29,344,480</u>
Total capital assets being depreciated/amortized, net	<u>26,566,279</u>	<u>(402,889)</u>	<u>-</u>	<u>26,163,390</u>
Governmental activities capital assets, net	\$ <u>27,867,021</u>	\$ <u>(380,889)</u>	\$ <u>-</u>	\$ <u>27,486,132</u>

Depreciation/amortization expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 257,593
Physical health and social services	18,576
Mental health	1,382
County environment and education	32,453
Roads and transportation	1,221,468
Governmental services to residents	160,707
Administration	<u>176,164</u>
Total depreciation/amortization expense – governmental activities	\$ <u>1,868,343</u>

WAPELLO COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 5: DUE TO OTHER GOVERNMENTS

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments is as follows:

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
General	Services	\$ 138,735
Special Revenue:		
MH-DD	Services	1,096,865
Secondary roads		15,320
Recorder's electronic fees		<u>1,292</u>
Total for governmental funds		\$ <u>1,252,212</u>
Agency:		
Schools	Collections	\$ 14,993,080
Corporations		13,673,505
Area schools		900,454
Auto license and use tax		645,005
County assessor		584,229
Townships		318,473
Agricultural extension education		210,522
E911		394,541
All other		<u>169,989</u>
Total for agency funds		\$ <u>31,889,798</u>

NOTE 6: LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended June 30, 2011 is as follows:

	<u>General Obligation Capital Loan Notes</u>	<u>Capital Leases</u>	<u>Installment Purchases</u>	<u>Compensated Absences</u>	<u>Net OPEB Liability</u>	<u>Total</u>
Balance beginning of year, as restated	\$ 2,285,000	\$ -	\$ 63,744	\$ 713,251	\$ 215,271	\$ 3,277,266
Increases	-	491,747	-	720,540	87,625	1,299,912
Decreases	<u>(220,000)</u>	<u>(105,405)</u>	<u>(23,608)</u>	<u>(713,251)</u>	<u>-</u>	<u>(1,062,264)</u>
Balance end of year	\$ <u>2,065,000</u>	\$ <u>386,342</u>	\$ <u>40,136</u>	\$ <u>720,540</u>	\$ <u>302,896</u>	\$ <u>3,514,914</u>
Due within one year	\$ <u>230,000</u>	\$ <u>99,456</u>	\$ <u>23,807</u>	\$ <u>720,540</u>	\$ <u>-</u>	\$ <u>1,073,803</u>

WAPELLO COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 6: LONG-TERM LIABILITIES (Continued)

A summary of the County's June 30, 2011 general obligation capital loan note indebtedness is as follows:

<u>Year Ending June 30,</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	2.90	\$ 230,000	\$ 73,026	\$ 303,026
2013	3.00	235,000	66,356	301,356
2014	3.30	245,000	59,306	304,306
2015	3.50	250,000	51,220	301,220
2016	3.65	260,000	42,470	302,470
2017	3.80	270,000	32,980	302,980
2018	3.90	280,000	22,720	302,720
2019	4.00	<u>295,000</u>	<u>11,800</u>	<u>306,800</u>
		\$ <u>2,065,000</u>	\$ <u>359,878</u>	\$ <u>2,424,878</u>

During the year ended June 30, 2011, the County issued no general obligation capital loan notes.

Installment Purchase Agreement

During the year ended June 30, 2010, the County purchased equipment under an installment purchase agreement. The agreements call for annual payments, including interest at 7%. Future maturities at June 30, 2011 are as follows:

Year Ended  
June 30,

2012	\$ 23,807
2013	<u>16,329</u>
Total	\$ <u>40,136</u>

Capital Lease Purchase Agreements

The County has entered into two capital lease purchase agreements to lease equipment with a historical cost of \$491,747. The following is a schedule of the future minimum lease payments, including interest between 3.25% and 4.20% per annum and the present value of net minimum lease payments under the agreements in effect at June 30, 2011:

Year Ended  
June 30,

2012	\$ 105,405
2013	105,405
2014	105,407
2015	<u>105,407</u>
Total minimum lease payments	421,624
Less amount representing interest	<u>35,282</u>

Present value of net minimum lease payments \$ 386,342

Payments under capital lease purchase agreements totaled \$105,406 for the year ended June 30, 2011.

WAPELLO COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 7: PENSION AND RETIREMENT BENEFITS

The County contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 4.50% of their annual covered salary and the County is required to contribute 6.95% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2011, 2010 and 2009 were \$392,143, \$363,835 and \$336,208, respectively, equal to the required contributions for each year.

NOTE 8: RISK MANAGEMENT

Wapello County, Iowa is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 634 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 150 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's annual contributions to the Pool for the year ended June 30, 2011 were \$188,736.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim. For members requiring specific coverage from \$3,000,000 to \$12,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location, with excess coverage reinsured by the Travelers Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2011, no liability has been recorded in the County's financial statements. As of June 30, 2011, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

WAPELLO COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 8: RISK MANAGEMENT (Continued)

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its casualty capital contributions. However, the refund is reduced by an amount equal to the annual casualty operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amount of \$500,000 and \$100,000, respectively. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 9: EMPLOYEE HEALTH INSURANCE PLAN

The Internal Service, Wapello County Employee Health Fund was established to account for partial self funding of the County's health insurance benefit plan. The plan is funded by County contributions and is administered through a service agreement with First Administrators, Inc. The agreement is subject to automatic renewal provisions. The County assumes liability for claims up to the individual stop loss limitation of \$30,000. Claims in excess of coverage are insured through purchase of stop loss insurance.

Monthly payments of service fees and plan contributions to the Wapello County Employee Health Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to First Administrators, Inc. from the Wapello County Employee Health Fund. The County's contribution to the fund for the year ended June 30, 2011 was \$2,499,745.

Amounts payable from the Wapello County Employee Health Fund at June 30, 2011 total \$167,788 which is for incurred but not reported (IBNR) and reported but not paid claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior-year and current-year claims and to establish a reserve for catastrophic losses. That reserve was \$840,309 at June 30, 2011 and is reported as a designation of the Internal Service, Wapello County Employee Group Health Fund net assets. A liability has been established based on the requirements of Governmental Accounting Standards Board Statement Number 10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settlements have not exceeded the stop-loss coverage in any of the past three years. A reconciliation of changes in the aggregate liability for claims for the current year is as follows:

Unpaid claims beginning of year	\$ 155,954
Incurred claims (including claims incurred but not reported at June 30, 2011):	
Current-year events	2,252,661
Payments:	
Current and prior year events	<u>2,240,827</u>
Unpaid claims end of year	\$ <u>167,788</u>

WAPELLO COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 10: CONTINGENT LIABILITIES

The County is contingently liable on United States Department of Agriculture Rural Development notes for the Wapello County Rural Fire Agency (a 28E Organization) and the Washington Township. At June 30, 2011, these loans had outstanding balances of \$166,201 and \$19,917, respectively. The County is contingently liable on an additional United States Department of Agriculture Rural Development note for the Wapello County Rural Fire Agency (a 28E Organization). At June 30, 2011, the note had an outstanding balance of \$130,208. Since the interest and principal are currently paid by the respective entities, these liabilities have not been recorded in the Statement of Net Assets.

NOTE 11: OTHER POSTEMPLOYMENT BENEFITS (OPEB)

The County implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits other than Pensions during the year ended June 30, 2009.

Plan Description – The County operates a single-employer retiree benefit plan which provides medical benefits for retirees and their spouses. There are 144 active and 8 retired members in the plan.

The medical coverage is provided through a partially self funded plan with stop loss coverage provided by Wellmark. Retirees under age 65 pay the same premium for the medical benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy – The contribution requirements of plan members are established and may be amended by the County. The County currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The County's annual OPEB cost is calculated based on the annual required contribution (ARC) of the County, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the County's annual OPEB cost for the year ended June 30, 2011, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution	\$ 169,073
Interest on net OPEB obligation	8,611
Adjustment to annual required contribution	<u>(4,594)</u>
Annual OPEB cost	173,090
Contributions made	<u>(85,465)</u>
Increase in net OPEB cost	87,625
Net OPEB obligation beginning of year	<u>215,271</u>
Net OPEB obligation end of year	\$ <u>302,896</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2011.

For the year ended June 30, 2011, the County contributed \$85,465 to the medical plan.

WAPELLO COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

**NOTE 11: OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)**

The County's Annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2011 are summarized as follows:

<u>Year Ended June 30,</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2009	\$ <u>169,073</u>	35.19%	\$ <u>109,586</u>
2010	\$ <u>171,121</u>	38.24%	\$ <u>215,271</u>
2011	\$ <u>173,090</u>	49.38%	\$ <u>302,896</u>

Funded Status and Funding Progress – As of July 1, 2008, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$1,414,774 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,414,774. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$5,370,853 and the ratio of the UAAL to covered payroll was 26.34%. As of June 30, 2011, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumption about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2008 actuarial valuation date, the projected unit credit cost method was used. The actuarial assumptions include a 4% discount rate based on the County's funding policy. The projected annual medical trend rate is 10%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Combined Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed using the alternate valuation method as prescribed by GASB 45.

Projected claim costs of the medical plan are \$637 (\$1,366 for retiree and spouse coverage) per month for retirees. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**NOTE 12: SUBSEQUENT EVENTS**

Subsequent events have been evaluated through February 14, 2012, the date the financial statements were available to be issued.

WAPELLO COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 13:     RESTATEMENTS

During the year ended June 30, 2011, it was determined that capital assets acquired through an installment purchase agreement prior to June 30, 2010, had not been included in the June 30, 2010 financial statements. Since both capital assets and long-term debt were not included, this restatement had no effect on net assets as of June 30, 2010. The MD&A, Notes 4 and 6 and Schedule 7 have been adjusted by \$47,448 to reflect the unrecorded debt and capital assets.

## **REQUIRED SUPPLEMENTARY INFORMATION**

WAPELLO COUNTY, IOWA

BUDGETARY COMPARISON SCHEDULE OF  
RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCES -  
BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2011

	Governmental Fund Types	<u>Budgeted Amounts</u>		Final to Actual Variance - Positive (Negative)
	<u>Actual</u>	<u>Original</u>	<u>Final</u>	
<u>RECEIPTS:</u>				
Property and other County tax	\$ 11,249,345	\$ 10,810,531	\$ 10,810,531	\$ 438,814
Interest and penalty on property tax	166,649	141,000	141,000	25,649
Intergovernmental	7,418,829	6,069,450	8,105,050	(686,221)
Licenses and permits	37,658	53,650	53,620	(15,962)
Charges for service	850,566	744,347	744,347	106,219
Use of money and property	222,544	283,028	283,028	(60,484)
Miscellaneous	370,970	285,681	285,681	85,289
Total receipts	<u>20,316,561</u>	<u>18,387,687</u>	<u>20,423,257</u>	<u>(106,696)</u>
<u>DISBURSEMENTS:</u>				
Public safety and legal services	3,491,128	3,468,777	3,665,579	174,451
Physical health and social services	1,555,546	1,740,358	1,872,003	316,457
Mental health	3,991,273	4,904,521	4,904,521	913,248
County environment and education	956,110	964,484	1,006,614	50,504
Roads and transportation	3,902,306	3,807,680	4,007,680	105,374
Governmental services to residents	550,461	584,602	589,602	39,141
Administration	2,651,075	2,745,257	2,777,653	126,578
Non-program	118,907	138,516	138,516	19,609
Debt Service	299,475	310,100	310,100	10,625
Capital projects	2,071,532	1,282,000	4,017,310	1,945,778
Total disbursements	<u>19,587,813</u>	<u>19,946,295</u>	<u>23,289,578</u>	<u>3,701,765</u>
Excess (deficiency) of receipts over (under) disbursements	728,748	(1,558,608)	(2,866,321)	3,595,069
Other financing sources, net	<u>183</u>	<u>3,000</u>	<u>(143,481)</u>	<u>143,664</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	728,931	(1,555,608)	(3,009,802)	3,738,733
<u>BALANCE</u> - Beginning of year	<u>10,817,600</u>	<u>8,768,576</u>	<u>10,817,584</u>	<u>16</u>
<u>BALANCE</u> - End of year	\$ <u>11,546,531</u>	\$ <u>7,212,968</u>	\$ <u>7,807,782</u>	\$ <u>3,738,749</u>

WAPELLO COUNTY, IOWA

BUDGET TO GAAP RECONCILIATION  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2011

	<u>Governmental Fund Types</u>		
	<u>Cash Basis</u>	<u>Accrual Adjustments</u>	<u>Modified Accrual Basis</u>
Revenues	\$ 20,316,561	\$ 3,408	\$ 20,319,969
Expenditures	<u>19,587,813</u>	<u>(934,566)</u>	<u>20,522,379</u>
Net	728,748	(931,158)	(202,410)
Other financing sources (uses)	183	491,755	491,938
Beginning fund balance	<u>10,817,600</u>	<u>(813,627)</u>	<u>10,003,973</u>
Ending fund balance	\$ <u>11,546,531</u>	\$ <u>(1,253,030)</u>	\$ <u>10,293,501</u>

See Accompanying Independent Auditor's Report.

WAPELLO COUNTY, IOWA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

YEAR ENDED JUNE 30, 2011

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds except blended component units and Agency Funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, three budget amendments increased budgeted disbursements by \$3,343,283. These budget amendments are reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the E911 System by the Joint E911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

During the year ended June 30, 2011, disbursements did not exceed the amounts budgeted.

WAPELLO COUNTY, IOWA

SCHEDULE OF FUNDING PROGRESS FOR THE  
RETIREE HEALTH PLAN

REQUIRED SUPPLEMENTARY INFORMATION

<u>Fiscal</u> <u>Year</u>	<u>Actuarial</u> <u>Valuation</u> <u>Date</u>	<u>Actuarial</u> <u>Value of</u> <u>Assets</u> <u>(a)</u>	<u>Actuarial</u> <u>Accrued</u> <u>Liability</u> <u>(AAL)</u> <u>(b)</u>	<u>Unfunded</u> <u>AAL</u> <u>(UAAL)</u> <u>(b - a)</u>	<u>Funded</u> <u>Ratio</u> <u>(a/b)</u>	<u>Covered</u> <u>Payroll</u> <u>(c)</u>	<u>UAAL as a</u> <u>Percentage</u> <u>of Covered</u> <u>Payroll</u> <u>((b-a)/c)</u>
2009	July 1, 2008	\$ <u>-</u>	\$ <u>1,414,774</u>	\$ <u>1,414,774</u>	0.00%	\$ <u>4,947,150</u>	28.60%
2010	July 1, 2008	\$ <u>-</u>	\$ <u>1,414,774</u>	\$ <u>1,414,774</u>	0.00%	\$ <u>5,118,699</u>	27.64%
2011	July 1, 2008	\$ <u>-</u>	\$ <u>1,414,774</u>	\$ <u>1,414,774</u>	0.00%	\$ <u>5,370,853</u>	26.34%

See Note 11 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

## OTHER SUPPLEMENTARY INFORMATION

WAPELLO COUNTY, IOWA

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2011

<u>ASSETS</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Total</u>
Cash and pooled investments	\$ 735,206	\$ 36,923	\$ 772,129
Receivables:			
Property tax:			
Delinquent	1,889	600	2,489
Succeeding year	932,136	296,013	1,228,149
Accounts Receivable	2,194	2	2,196
Due from other governments	<u>106,326</u>	<u>-</u>	<u>106,326</u>
 TOTAL ASSETS	 \$ <u>1,777,751</u>	 \$ <u>333,538</u>	 \$ <u>2,111,289</u>
 <u>LIABILITIES AND FUND BALANCES</u>			
<u>LIABILITIES:</u>			
Accounts payable	\$ 15,112	\$ -	\$ 15,112
Salaries and benefits payable	15,447	-	15,447
Due to other governments	1,292	-	1,292
Deferred revenue:			
Succeeding year property tax	932,136	296,013	1,228,149
Other	<u>1,841</u>	<u>496</u>	<u>2,337</u>
Total liabilities	<u>965,828</u>	<u>296,509</u>	<u>1,262,337</u>
 <u>FUND BALANCES:</u>			
Restricted for:			
Debt Service	-	37,029	37,029
Other purposes	<u>811,923</u>	<u>-</u>	<u>811,923</u>
Total fund balance	<u>811,923</u>	<u>37,029</u>	<u>848,952</u>
 TOTAL LIABILITIES AND FUND BALANCES	 \$ <u>1,777,751</u>	 \$ <u>333,538</u>	 \$ <u>2,111,289</u>

WAPELLO COUNTY, IOWA

SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2011

	Special Revenue	Debt Service	Total
<u>REVENUES:</u>			
Property and other County tax	\$ 1,725,704	\$ 298,687	\$ 2,024,391
Intergovernmental	288,667	14,192	302,859
Licenses and permits	33,688	-	33,688
Charges for service	21,538	-	21,538
Use of money and property	23,182	70	23,252
Miscellaneous	7,989	-	7,989
Total revenues	<u>2,100,768</u>	<u>312,949</u>	<u>2,413,717</u>
<u>EXPENDITURES:</u>			
Operating:			
Public safety and legal services	113,085	-	113,085
County environment and education	449,426	-	449,426
Roads and transportation	254,858	-	254,858
Governmental services to residents	13,935	-	13,935
Administration	15,438	-	15,438
Debt service	-	299,438	299,438
Capital projects	472,892	-	472,892
Total expenditures	<u>1,319,634</u>	<u>299,438</u>	<u>1,619,072</u>
Excess of revenues over expenditures	781,134	13,511	794,645
Other financing uses:			
Transfers out	<u>(850,000)</u>	<u>-</u>	<u>(850,000)</u>
Excess (deficiency) of revenues over (under) expenditures and other financing uses	(68,866)	13,511	(55,355)
<u>FUND BALANCES</u> - Beginning of year	<u>880,789</u>	<u>23,518</u>	<u>904,307</u>
<u>FUND BALANCES</u> - End of year	<u>\$ 811,923</u>	<u>\$ 37,029</u>	<u>\$ 848,952</u>

WAPELLO COUNTY, IOWA  
COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS  
JUNE 30, 2011

<u>ASSETS</u>	<u>Rural Services</u>	<u>AGHWC Maint</u>	<u>County Recorder's Records Management</u>
Cash and pooled investments	\$ 279,892	\$ 3,000	\$ 24,057
Receivables:			
Property tax:			
Delinquent	1,889	-	-
Succeeding year	932,136	-	-
Accounts	-	-	1,348
Due from other governments	<u>53,163</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	\$ <u>1,267,080</u>	\$ <u>3,000</u>	\$ <u>25,405</u>
 <u>LIABILITIES AND FUND BALANCES</u>			
<u>LIABILITIES:</u>			
Accounts payable	\$ 12,236	\$ -	\$ -
Salaries and benefits payable	15,447	-	-
Due to other governments	-	-	-
Deferred revenue:			
Succeeding year property tax	932,136	-	-
Other	<u>1,841</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>961,660</u>	<u>-</u>	<u>-</u>
 <u>FUND BALANCES:</u>			
Restricted for:			
Other purposes	<u>305,420</u>	<u>3,000</u>	<u>25,405</u>
Total fund balances	<u>305,420</u>	<u>3,000</u>	<u>25,405</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ <u>1,267,080</u>	\$ <u>3,000</u>	\$ <u>25,405</u>

<u>Local Option Tax</u>	<u>REAP Fund</u>	<u>Recorder's Electronic Fees</u>	<u>Jail Commissary Fund</u>	<u>Wellness Fund</u>	<u>Drainage Districts</u>	<u>Total</u>
\$ 202,769	\$ 148,000	\$ 1,292	\$ 72,118	\$ 318	\$ 3,760	\$ 735,206
-	-	-	-	-	-	1,889
-	-	-	-	-	-	932,136
-	6	-	840	-	-	2,194
<u>53,163</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>106,326</u>
\$ <u>255,932</u>	\$ <u>148,006</u>	\$ <u>1,292</u>	\$ <u>72,958</u>	\$ <u>318</u>	\$ <u>3,760</u>	\$ <u>1,777,751</u>
\$ 1,944	\$ -	\$ -	\$ 932	\$ -	\$ -	\$ 15,112
-	-	-	-	-	-	15,447
-	-	1,292	-	-	-	1,292
-	-	-	-	-	-	932,136
-	-	-	-	-	-	1,841
<u>1,944</u>	<u>-</u>	<u>1,292</u>	<u>932</u>	<u>-</u>	<u>-</u>	<u>965,828</u>
<u>253,988</u>	<u>148,006</u>	<u>-</u>	<u>72,026</u>	<u>318</u>	<u>3,760</u>	<u>811,923</u>
<u>253,988</u>	<u>148,006</u>	<u>-</u>	<u>72,026</u>	<u>318</u>	<u>3,760</u>	<u>811,923</u>
\$ <u>255,932</u>	\$ <u>148,006</u>	\$ <u>1,292</u>	\$ <u>72,958</u>	\$ <u>318</u>	\$ <u>3,760</u>	\$ <u>1,777,751</u>

WAPELLO COUNTY, IOWA

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
NONMAJOR SPECIAL REVENUE FUNDS  
YEAR ENDED JUNE 30, 2011

	<u>Rural</u> <u>Services</u>	<u>AGHWC</u> <u>Maint</u>	<u>County</u> <u>Recorder's</u> <u>Records</u> <u>Management</u>	<u>Local</u> <u>Option Tax</u>
<u>REVENUES:</u>				
Property and other County tax	\$ 1,376,224	\$ -	\$ -	\$ 349,480
Intergovernmental	262,842	-	-	-
Licenses and permits	33,688	-	-	-
Charges for service	300	-	5,314	-
Use of money and property	-	-	20	-
Miscellaneous	-	3,000	-	-
Total revenues	<u>1,673,054</u>	<u>3,000</u>	<u>5,334</u>	<u>349,480</u>
<u>EXPENDITURES:</u>				
Operating:				
Public safety and legal services	99,701	-	-	-
County environment and education	240,170	-	-	193,332
Roads and transportation	254,858	-	-	-
Governmental services to residents	2,312	-	11,623	-
Administration	10,756	-	-	-
Capital projects	395,671	-	-	55,220
Total expenditures	<u>1,003,468</u>	<u>-</u>	<u>11,623</u>	<u>248,552</u>
Excess (deficiency) of revenues over (under) expenditures	669,586	3,000	(6,289)	100,928
Other financing uses:				
Transfers out	<u>(850,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures and other financing uses	(180,414)	3,000	(6,289)	100,928
<u>FUND BALANCES</u> - Beginning of year	<u>485,834</u>	<u>-</u>	<u>31,694</u>	<u>153,060</u>
<u>FUND BALANCES</u> - End of year	\$ <u>305,420</u>	\$ <u>3,000</u>	\$ <u>25,405</u>	\$ <u>253,988</u>

<u>REAP Fund</u>	<u>Recorder's Electronic Fees</u>	<u>Jail Commissary Fund</u>	<u>Wellness Fund</u>	<u>Drainage Districts</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,725,704
25,825	-	-	-	-	288,667
-	-	-	-	-	33,688
-	15,924	-	-	-	21,538
89	-	23,073	-	-	23,182
-	-	-	4,989	-	7,989
<u>25,914</u>	<u>15,924</u>	<u>23,073</u>	<u>4,989</u>	<u>-</u>	<u>2,100,768</u>
-	-	13,384	-	-	113,085
-	15,924	-	-	-	449,426
-	-	-	-	-	254,858
-	-	-	-	-	13,935
-	-	-	4,682	-	15,438
<u>22,001</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>472,892</u>
<u>22,001</u>	<u>15,924</u>	<u>13,384</u>	<u>4,682</u>	<u>-</u>	<u>1,319,634</u>
3,913	-	9,689	307	-	781,134
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(850,000)</u>
3,913	-	9,689	307	-	(68,866)
<u>144,093</u>	<u>-</u>	<u>62,337</u>	<u>11</u>	<u>3,760</u>	<u>880,789</u>
\$ <u>148,006</u>	\$ <u>-</u>	\$ <u>72,026</u>	\$ <u>318</u>	\$ <u>3,760</u>	\$ <u>811,923</u>

WAPELLO COUNTY, IOWA

COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES

AGENCY FUNDS

JUNE 30, 2011

	<u>County Offices</u>	
	<u>County Recorder</u>	<u>County Sheriff</u>
<u>ASSETS</u>		
Cash and pooled investments:		
County Treasurer	\$ -	\$ -
Other County officials	56,083	31,791
Receivables:		
Accounts receivable	-	-
Property tax:		
Delinquent	-	-
Succeeding year	-	-
	<hr/>	<hr/>
TOTAL ASSETS	\$ <u>56,083</u>	\$ <u>31,791</u>
<u>LIABILITIES</u>		
Accounts payable	\$ -	\$ -
Due to other governments	56,083	3,368
Salaries and benefits payable	-	-
Compensated absences	-	-
Trusts payable	-	28,423
	<hr/>	<hr/>
TOTAL LIABILITIES	\$ <u>56,083</u>	\$ <u>31,791</u>

<u>E911</u>	<u>Joint Disaster Services</u>	<u>Brucellosis and Tuberculosis Eradication</u>	<u>Corporations</u>	<u>Townships</u>	<u>Schools</u>	<u>Area Schools</u>
\$ 375,812	\$ 23,559	\$ 78	\$ 323,467	\$ 5,014	\$ 326,244	\$ 20,225
-	-	-	-	-	-	-
25,419	297	-	-	-	-	-
-	-	6	27,001	634	29,664	1,780
-	-	3,144	13,323,037	312,825	14,637,172	878,449
\$ <u>401,231</u>	\$ <u>23,856</u>	\$ <u>3,228</u>	\$ <u>13,673,505</u>	\$ <u>318,473</u>	\$ <u>14,993,080</u>	\$ <u>900,454</u>
\$ 6,690	\$ 1,826	\$ -	\$ -	\$ -	\$ -	\$ -
394,541	18,146	3,228	13,673,505	318,473	14,993,080	900,454
-	1,437	-	-	-	-	-
-	2,447	-	-	-	-	-
-	-	-	-	-	-	-
\$ <u>401,231</u>	\$ <u>23,856</u>	\$ <u>3,228</u>	\$ <u>13,673,505</u>	\$ <u>318,473</u>	\$ <u>14,993,080</u>	\$ <u>900,454</u>

WAPELLO COUNTY, IOWA

COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES

AGENCY FUNDS

JUNE 30, 2011

	County Conservation <u>Trust</u>	County <u>Assessor</u>
<u>ASSETS</u>		
Cash and pooled investments:		
County Treasurer	\$ 1,045	\$ 107,675
Other County officials	-	-
Receivables:		
Accounts receivable	-	-
Property tax:		
Delinquent	-	1,016
Succeeding year	-	<u>501,423</u>
TOTAL ASSETS	\$ <u>1,045</u>	\$ <u>610,114</u>
<u>LIABILITIES</u>		
Accounts payable	\$ -	\$ 6,321
Due to other governments	-	584,229
Salaries and benefits payable	-	5,024
Compensated absences	-	14,540
Trusts payable	<u>1,045</u>	-
TOTAL LIABILITIES	\$ <u>1,045</u>	\$ <u>610,114</u>

Schedule 5  
(Continued)

<u>Agricultural Extension Education</u>	<u>Auto License and Use Tax</u>	<u>Special Assessments</u>	<u>Advance Tax</u>	<u>Partial Payment</u>	<u>Total</u>
\$ 4,381	\$ 645,005	\$ 9,163	\$ 79,951	\$ 50	\$ 1,921,669
-	-	-	-	-	87,874
-	-	-	-	-	25,716
417	-	-	-	-	60,518
<u>205,724</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>29,861,774</u>
\$ <u>210,522</u>	\$ <u>645,005</u>	\$ <u>9,163</u>	\$ <u>79,951</u>	\$ <u>50</u>	\$ <u>31,957,551</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,837
210,522	645,005	9,163	79,951	50	31,889,798
-	-	-	-	-	6,461
-	-	-	-	-	16,987
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>29,468</u>
\$ <u>210,522</u>	\$ <u>645,005</u>	\$ <u>9,163</u>	\$ <u>79,951</u>	\$ <u>50</u>	\$ <u>31,957,551</u>

WAPELLO COUNTY, IOWA

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUNDS  
YEAR ENDED JUNE 30, 2011

<u>ASSETS AND LIABILITIES</u>	<u>County Offices</u>	
	<u>County Recorder</u>	<u>County Sheriff</u>
Balances beginning of year	\$ <u>67,311</u>	\$ <u>31,670</u>
Additions:		
Property and other County tax	-	-
E911 surcharge	-	-
State tax credits	-	-
Reimbursements	-	-
Office fees and collections	327,218	100,252
Auto licenses, use tax and postage	18,323	-
Trusts	-	858,436
Miscellaneous	<u>1,920</u>	<u>18</u>
Total additions	<u>347,461</u>	<u>958,706</u>
Deductions:		
Agency remittances:		
To other funds	155,343	-
To other governments	203,342	-
Trusts paid out	<u>4</u>	<u>958,585</u>
Total deductions	<u>358,689</u>	<u>958,585</u>
Balances end of year	\$ <u>56,083</u>	\$ <u>31,791</u>

<u>E911</u>	<u>Joint Disaster Services</u>	<u>Brucellosis and Tuberculosis Eradication</u>	<u>Corporations</u>	<u>Townships</u>	<u>Schools</u>	<u>Area Schools</u>
\$ <u>437,736</u>	\$ <u>35,321</u>	\$ <u>3,335</u>	\$ <u>13,599,645</u>	\$ <u>276,507</u>	\$ <u>14,814,505</u>	\$ <u>919,730</u>
-	-	3,082	12,313,165	335,033	14,306,671	865,169
167,392	-	-	-	-	-	-
-	-	156	550,625	11,881	639,319	39,314
-	71,251	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
268	-	-	-	-	-	-
<u>167,660</u>	<u>71,251</u>	<u>3,238</u>	<u>12,863,790</u>	<u>346,914</u>	<u>14,945,990</u>	<u>904,483</u>
-	-	-	-	-	-	-
204,165	82,716	3,345	12,789,930	304,948	14,767,415	923,759
-	-	-	-	-	-	-
<u>204,165</u>	<u>82,716</u>	<u>3,345</u>	<u>12,789,930</u>	<u>304,948</u>	<u>14,767,415</u>	<u>923,759</u>
\$ <u>401,231</u>	\$ <u>23,856</u>	\$ <u>3,228</u>	\$ <u>13,673,505</u>	\$ <u>318,473</u>	\$ <u>14,993,080</u>	\$ <u>900,454</u>

WAPELLO COUNTY, IOWA

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUNDS  
YEAR ENDED JUNE 30, 2011

<u>ASSETS AND LIABILITIES</u>	County Conservation <u>Trust</u>	County Assessor	Agricultural Extension <u>Education</u>
Balances beginning of year	\$ <u>1,045</u>	\$ <u>351,933</u>	\$ <u>199,142</u>
Additions:			
Property and other County tax	-	497,811	202,939
E911 surcharge	-	-	-
State tax credits	-	13,236	8,544
Reimbursements	-	-	-
Office fees and collections	-	409	-
Auto licenses, use tax and postage	-	-	-
Trusts	-	-	-
Miscellaneous	-	450	-
Total additions	<u>-</u>	<u>511,906</u>	<u>211,483</u>
Deductions:			
Agency remittances:			
To other funds	-	-	-
To other governments	-	253,725	200,103
Trusts paid out	-	-	-
Total deductions	<u>-</u>	<u>253,725</u>	<u>200,103</u>
Balances end of year	\$ <u>1,045</u>	\$ <u>610,114</u>	\$ <u>210,522</u>

Schedule 6  
(Continued)

<u>Auto License and Use Tax</u>	<u>Special Assessments</u>	<u>Advance Tax</u>	<u>Partial Payment Fund</u>	<u>Tax Redemption</u>	<u>Total</u>
\$ <u>623,679</u>	\$ <u>5,913</u>	\$ <u>85,176</u>	\$ <u>50</u>	\$ <u>-</u>	\$ <u>31,452,698</u>
-	61,908	87,204	-	827,062	29,500,044
-	-	-	-	-	167,392
-	-	-	-	-	1,263,075
-	-	-	-	-	71,251
-	-	-	-	-	427,879
7,927,973	-	-	-	-	7,946,296
-	-	-	-	-	858,436
-	-	-	-	-	2,656
<u>7,927,973</u>	<u>61,908</u>	<u>87,204</u>	<u>-</u>	<u>827,062</u>	<u>40,237,029</u>
271,283	-	-	-	-	426,626
7,635,364	58,658	92,429	-	-	37,519,899
-	-	-	-	827,062	1,785,651
<u>7,906,647</u>	<u>58,658</u>	<u>92,429</u>	<u>-</u>	<u>827,062</u>	<u>39,732,176</u>
\$ <u>645,005</u>	\$ <u>9,163</u>	\$ <u>79,951</u>	\$ <u>50</u>	\$ <u>-</u>	\$ <u>31,957,551</u>

WAPELLO COUNTY, IOWA

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION -  
ALL GOVERNMENTAL FUNDS  
FOR THE LAST TEN YEARS

	<u>2011</u>	<u>2010</u>	<u>2009</u>
<b><u>REVENUES:</u></b>			
Property and other County tax	\$ 11,268,853	\$ 10,826,651	\$ 10,404,132
Interest and penalty on property tax	168,276	161,408	145,270
Intergovernmental	7,422,708	6,384,045	6,824,410
Licenses and permits	37,658	54,931	38,111
Charges for service	847,670	796,228	794,444
Use of money and property	218,487	233,464	312,897
Miscellaneous	<u>356,317</u>	<u>382,279</u>	<u>480,648</u>
Total	\$ <u>20,319,969</u>	\$ <u>18,839,006</u>	\$ <u>18,999,912</u>
<b><u>EXPENDITURES:</u></b>			
Operating:			
Public safety and legal services	\$ 3,543,591	\$ 3,354,911	\$ 3,185,458
Physical health and social services	1,647,211	1,454,512	1,530,701
Mental health	4,323,831	3,647,255	4,313,628
County environment and education	981,994	1,115,010	919,729
Roads and transportation	4,371,424	3,945,493	3,883,815
Governmental services to residents	559,997	592,845	566,725
Administration	2,670,332	2,572,225	2,585,350
Non-program	122,180	121,154	128,107
Debt service	299,438	299,907	-
Capital projects	<u>2,002,381</u>	<u>915,872</u>	<u>3,108,318</u>
Total	\$ <u>20,522,379</u>	\$ <u>18,019,184</u>	\$ <u>20,221,831</u>

Modified Accrual Basis						
<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
\$ 10,079,422	\$ 9,885,133	\$ 8,800,575	\$ 7,889,357	\$ 7,412,239	\$ 10,199,466	\$ 9,150,343
130,642	148,757	130,505	118,907	123,785	157,709	120,098
6,086,157	5,727,522	6,480,923	6,022,435	6,373,929	6,000,077	7,580,798
71,291	68,963	73,193	74,018	66,950	39,421	30,678
800,920	849,239	883,848	973,789	905,309	793,614	776,478
509,770	608,468	448,982	253,939	156,225	230,871	419,412
<u>350,122</u>	<u>365,097</u>	<u>281,346</u>	<u>259,546</u>	<u>1,088,472</u>	<u>736,661</u>	<u>108,768</u>
\$ <u>18,028,324</u>	\$ <u>17,653,179</u>	\$ <u>17,099,372</u>	\$ <u>15,591,991</u>	\$ <u>16,126,909</u>	\$ <u>18,157,819</u>	\$ <u>18,186,575</u>
\$ 3,019,224	\$ 3,091,326	\$ 3,297,740	\$ 3,092,384	\$ 3,160,480	\$ 2,931,276	\$ 2,763,191
1,386,321	1,601,856	1,609,077	1,511,227	1,411,784	773,088	1,323,502
4,291,623	4,022,761	3,857,419	4,051,923	3,648,067	4,104,385	4,261,011
958,068	648,474	653,939	626,551	513,364	953,145	352,849
3,769,465	3,846,746	3,497,777	3,466,473	3,475,049	3,502,397	3,295,433
553,806	499,305	745,395	482,318	537,526	494,685	508,092
2,464,761	2,527,710	2,225,882	2,221,108	2,022,641	2,053,950	1,901,496
348,817	107,441	97,637	96,247	83,210	80,668	82,499
3,095	179,376	193,889	198,258	751,945	720,396	4,736,743
<u>841,774</u>	<u>601,809</u>	<u>1,435,809</u>	<u>1,149,229</u>	<u>1,171,399</u>	<u>742,740</u>	<u>2,785,533</u>
\$ <u>17,636,954</u>	\$ <u>17,126,804</u>	\$ <u>17,614,564</u>	\$ <u>16,895,718</u>	\$ <u>16,775,465</u>	\$ <u>16,356,730</u>	\$ <u>22,010,349</u>

## WAPELLO COUNTY, IOWA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2011

<u>GRANTOR/PROGRAM:</u>	<u>CFDA Number</u>	<u>Agency or Pass- Through Number</u>	<u>Program Expenditures</u>
<u>INDIRECT:</u>			
<u>United States Department of Justice:</u>			
Iowa Department of Justice:			
Crime Victim Assistance	16.575	VA-11-63	\$ <u>21,429</u>
Cops Grant	16.710		<u>1,899</u>
Iowa Department of Public Safety:			
Governor's Alliance on Substance Abuse:			
Violence Against Women Formula Grants	16.588	VW-11-63	39,859
Violence Against Women Formula Grants - ARRA	16.588	VWS-10-53	<u>750</u>
			<u>40,609</u>
<u>United States Department of Agriculture:</u>			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
State Administration Matching Grants for Food Stamp Program	10.561	-	<u>33,616</u>
<u>United States Department of Transportation:</u>			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	-	<u>188,104</u>
<u>United States Department of Health and Human Services:</u>			
Iowa Department of Public Health:			
Immunization Grants	93.268	-	<u>8,785</u>
Immunization Grants - ARRA	93.712	-	<u>5,517</u>
Public Health Preparedness and Response for Bioterrorism	93.069	-	<u>33,720</u>
Iowa Department of Human Services:			
Refugee	93.566	-	<u>24</u>
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	-	<u>8,250</u>
Foster Care - Title IV - E	93.658	-	<u>13,348</u>
Expansion Title XXI	93.767	-	<u>156</u>

WAPELLO COUNTY, IOWA

Schedule 8  
(Continued)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2011

<u>GRANTOR/PROGRAM:</u>	<u>CFDA</u> <u>Number</u>	<u>Agency or Pass-</u> <u>Through Number</u>	<u>Program</u> <u>Expenditures</u>
<u>INDIRECT: (Continued)</u>			
<u>United States Department of Health and Human Services:</u>			
<u>(Continued)</u>			
<u>Iowa Department of Human Services: (Continued)</u>			
Adoption Assistance	93.659	-	\$ <u>3,237</u>
Medical Assistance Program	93.778	-	<u>32,317</u>
Social Services Block Grant	93.667	-	<u>215,047</u>
<u>United States Department of Homeland Security:</u>			
<u>Federal Emergency Management Agency:</u>			
Disaster Grants - Public Assistance	97.036	-	<u>133,996</u>
Emergency Management Performance Grants	97.042	-	<u>17,965</u>
Total			\$ <u>758,019</u>

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of Wapello County and is presented on the accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHERS MATTERS BASED ON  
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS

To the Officials of Wapello County, Iowa:

We have audited the accompanying financial statements of the government activities, each major fund and the aggregate remaining fund information of Wapello County, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements listed in the table of contents and have issued our report thereon dated February 14, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Wapello County, Iowa's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Wapello County, Iowa's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Wapello County, Iowa's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance all deficiencies, significant deficiencies or material weakness have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the County's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item 11-II-C to be a material weakness.

A significant deficiency is a deficiency or combination of deficiencies in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as items 11-II-A, 11-II-B and 11-II-D to be significant deficiencies.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Wapello County, Iowa's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Wapello County, Iowa's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the County's responses, we did not audit Wapello County, Iowa's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Wapello County, Iowa and other parties to whom Wapello County, Iowa may report including federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Wapello County, Iowa during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

ANDERSON, LARKIN & CO. P.C.

Ottumwa, Iowa  
February 14, 2012

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON  
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Officials of Wapello County, Iowa

Compliance

We have audited the compliance of Wapello County, Iowa with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have direct and material effect on its major federal programs for the year ended June 30, 2011. Wapello County, Iowa's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Wapello County, Iowa's management. Our responsibility is to express an opinion on Wapello County, Iowa's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Wapello County, Iowa's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Wapello County, Iowa's compliance with those requirements.

In our opinion, Wapello County, Iowa complied, in all material respects, with the requirements referred to above that could have direct and material effect on its major federal programs for the year ended June 30, 2011. The results of our auditing procedures disclosed no instances of non-compliance with those requirements which are required to be reported in accordance with OMB Circular A-133.

Internal Control over Compliance

The management of Wapello County, Iowa, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Wapello County, Iowa's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Wapello County, Iowa's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. We noted no deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in the County's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct non-compliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weaknesses in internal control over compliance, yet important enough to merit attention by those charged with governance.

Wapello County, Iowa's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the County's responses, we did not audit Wapello County, Iowa's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Wapello County, Iowa and other parties to whom Wapello County, Iowa may report, including federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

ANDERSON, LARKIN & CO. P.C.

Ottumwa, Iowa  
February 14, 2012

WAPELLO COUNTY, IOWA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2011

Part I: Summary of the Independent Auditor's Results

- a. Unqualified opinions were issued on the financial statements.
- b. Significant deficiencies and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- c. The audit did not disclose any non-compliance which is material to the financial statements.
- d. No significant deficiencies in internal control over the major programs were disclosed by the audit of the financial statements.
- e. An unqualified opinion was issued on compliance with requirements applicable to each major program.
- f. The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- g. The major programs were CFDA Number: 20.205 Highway Planning and Construction  
93.667 Social Services Block Grant
- h. The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- i. Wapello County did not qualify as a low-risk auditee.

Part II: Findings Related to the Financial Statements

SIGNIFICANT DEFICIENCIES:

- 11-II-A Capital Asset Deletions – During our review of capital assets, it was determined that the County does not have a written policy regarding the deletion of capital assets.

Recommendation – The County should adopt a policy that includes who has authority to delete an asset, when this can be done and what documentation should be maintained relating to the deletion.

Response – We will consider adopting a policy for capital asset deletions.

Conclusion – Response accepted.

- 11-II-B Funds Transfer – During the audit it was determined that grant funds were received by the Secondary Roads fund but the related expenditures were made by the Local Option Tax fund.

Recommendation – The Secondary Roads fund should transfer \$133,996 to the Local Option Tax fund.

Response – We will investigate this issue and make the appropriate transfer.

Conclusion – Response accepted.

- 11-II-C Financial Statement Restatement – During the year ended June 30, 2011, it was determined that long-term debt and capital assets were misstated for the year ended June 30, 2010.

Recommendation – Procedures should be implemented to ensure that all debt and capital assets are recorded in the County's financial statements.

Response – We will do so.

Conclusion – Response accepted.

WAPELLO COUNTY, IOWA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2011

Part II: Findings Related to the Financial Statements (Continued)

11-II-D Budget Amendment – The County amended their budget on May 10, 2011 and the amended budget included operating transfers that did not balance to zero.

Recommendation – Operating transfers in should equal transfers out.

Response – We will do so from now on.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Part III: Findings and Questions Costs For Federal Awards:

SIGNIFICANT DEFICIENCIES:

No matters were noted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Part IV: Other Findings Related to Required Statutory Reporting

- 10-IV-A Certified Budget – Disbursements during the year ended June 30, 2011 did not exceed the amounts budgeted.
- 10-IV-B Questionable Expenditures – We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- 10-IV-C Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- 10-IV-D Business Transactions – No business transactions between the County and County officials or employees were noted.
- 10-IV-E Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of all bonds should be periodically reviewed to ensure the coverage is adequate for current operations.
- 10-IV-F Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- 10-IV-G Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the County's investment policy were noted.
- 10-IV-H Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- 10-IV-I County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2011 for the County Extension Office did not exceed the amount budgeted.